

Message Text

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ORIGIN NEA-04

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R 121942Z JUN 74

FM SECSTATE WASHDC

TO AMEMBASSY NEW DELHI

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FOLLOWING REPEAT STATE 124002 ACTION COLOMBO 11 JUN

QUOTE

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E.O. 11652: N/A

TAGS: EAID, CE

SUBJECT: MOV NEGOTIATIONS

REF: COLOMBO 1518

NEW DELHI FOR O'DONNELL (AID)

1. WE WELCOME INDICATIONS CEYLONENE ARE READY FOR EXPEDITIOUS SETTLEMENT OF MOV PROBLEM AND WE ENDORSE JUNE 24 TARGET FOR SETTLEMENT IN PRINCIPLE AS SUGGESTED PARA 6 REFTEL. THIS WE PRESUME MEANS THAT BROAD AGREEMENT IN PRINCIPLE ON SETTLEMENT SHOULD BE REACHED AT JUNE 13 MEETING LEAVING FOLLOWING MEETING FOR CLEAN-UP.

2. IN INTEREST RESOLUTION IN PRINCIPAL AT JUNE 13 MEETING, EMBASSY IS AUTHORIZED TO PROPOSE BASIS FOR SETTLEMENT WHICH WOULD SPLIT DIFFERENCE BETWEEN INITIAL USG POSITION AND THAT OF GSL. UNDER THIS PROPOSAL GSL
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WOULD REPAY LOANS ICAX-1 AND ICAX-2 AT FEEC RATE AND

LOAN ICAX-3 AT OFFICIAL RATE. ARREARAGES ON ICA AND DLF LOANS WOULD BE REPAID OVER FOUR YEARS AT APPLICABLE RATE OF EXCHANGE PREVAILING ON DATE OF REPAYMENT. INTEREST RATES ON ARREARAGES STARTING JULY 1, 1974, WOULD BE SAME AS THAT SPECIFIED IN ORIGINAL LOANS.

3. WE CONSIDER 50-50 SPLIT OUTLINED ABOVE AN EQUITABLE AND LOGICAL WAY TO SETTLE DISPUTE. WE HOPE YOU CAN SELL THIS POSITION. IF YOU DETERMINE THAT FURTHER ADJUSTMENT, HOWEVER, IS ESSENTIAL RPT ESSENTIAL TO REACH QUICK AGREEMENT YOU MAY AS LAST RPT LAST RESORT INDICATE TWO MODIFICATIONS TO THIS FORMULA WHICH WOULD PROVIDE FINAL RPT FINAL INCENTIVE TO CEYLONENSE FOR SETTLEMENT.

(A). ARREARAGES ON ICA RPT ICA LOANS TO BE PAID AT OFFICIAL RATHER THAN FEEC RATE. (DLF LOANS ARE NOT SUBJECT OF NEGOTIATION EXCEPT WITH REGARD TO REPAYMENT SCHEDULE AND ARREARAGES ON THESE MUST BE REPAID AT FEEC PREVAILING ON DATE OF PAYMENT.)

(B). USG PREPARED TO STUDY SIX YEAR SCHEDULE FOR REPAYMENT OF ARREARAGES RATHER THAN FOUR YEARS. (FYI: WE, HOWEVER, WOULD NEED CIRCULAR 175 APPROVAL FOR THIS ARRANGEMENT AND WE CAN MAKE NO COMMITMENT AT THIS STAGE BEYOND AGREEMENT TO STUDY IT. WE HAVE CIRCULAR 175 APPROVAL FOR FOUR YEAR RESCHEDULING. END FYI).

4. AS SUGGESTED COLOMBO 1565, ACTING DEP ASSIST. SECY LAINGEN HAS TOLD AMBASSADOR KANAKARATNE OF OUR EARNEST INTEREST IN EARLY SETTLEMENT. AMBASSADOR PROMISED TO CONVEY OUR VIEWS TO FINANCE MINISTER PERERA. WE WILL RESPOND TO REQUEST TRANSMITTED PARA 2 LATER. BROWN UNQUOTE SISCO

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